

Department of State Revenue

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Issue

Indiana Vehicle Lease – Sales Tax Paid to Another State.

Authority: IC 6-2.5-4-10(a); 45 IAC 2.2-3-16; IC 6-2.5-3-5; 45 IAC 2.2-3-17

IC 6-2.5-3-5. Credit against tax.

(a) A person is entitled to a credit against the use tax imposed on the use, storage, or consumption of a particular item of tangible personal property equal to the amount, if any, of sales tax, purchase tax, or use tax paid to another state, territory, or possession of the United States for the acquisition of that property.

(b) The credit provided under subsection (a) does not apply to the use tax imposed on the use, storage, or consumption of vehicles, watercraft, or aircraft that are required to be titled, registered, or licensed by Indiana. [1989]

I. General Statement.

A. The lease of a vehicle, watercraft, or aircraft operated in Indiana is subject to the collection of Sales Tax by the lessor or the payment of Use Tax by the lessee if no Sales Tax is collected. The tax is imposed on each periodic lease payment.

B. Generally no credit against a lessee's Indiana Sales or Use Tax liability is allowed for a tax that is paid by the lessee to another state due to the operation of a leased vehicle, watercraft, or aircraft in such other state.

II. "Required To Be Registered, Or Licensed By Indiana".

A. Vehicle – A leased vehicle operating in Indiana is required to be registered and licensed by Indiana under the provisions of IC 9-13 to 30 administered by the Bureau of Motor Vehicles.

B. Watercraft – A leased watercraft operating in Indiana is required to be registered, and licensed by Indiana under the provisions of IC 9-31 et seq. administered by the Bureau of Motor Vehicles.

C. Aircraft – An leased aircraft which is based in Indiana is required to be registered by Indiana under the provisions of IC 6-6-6.5 et seq. administered by the Department of Revenue.

III. Former Nonresident Lessee - Tax Paid To Another State.

A. A lessee who, while a resident of another state, leases a vehicle, watercraft, or aircraft which is required to be registered or licensed in another state and such lessee is subsequently required to register, or license such property in Indiana, will be subject to Indiana Sales/Use Tax on each remaining periodic lease payment.

B. A lessee who, while a resident of another state, leases a vehicle, watercraft, or aircraft which is required to be registered or licensed in another state and such lessee is subsequently required to register, or license such property in Indiana, will **not** be subject to Indiana Sales/Use Tax provided:

the lessee is **required to pay** at the time of lease execution a **nonrefundable sales tax** to such other state and the tax is based on the **value of the leased property** and not the periodic lease payments.

C. Certain states exempt periodic lease payments from sales tax while requiring the lessor pay a tax at the time of purchasing a motor vehicle intended for subsequent lease. Such taxes are presumed to be the exclusive liability of the lessor and therefore cannot be considered as having been required to be paid to another state by the lessee. Lease documents which separately state such lessor's sales tax expense may mislead the reader by implying the collection of a sales tax from the lessee.

Indiana resident lessees requesting abatement of Indiana Sales Tax on periodic lease payments due to payment of sales tax to the following states [FN For the years 1997, 1998, and 1999] must prove that any tax previously paid meets the requirements of section III, B above.

Illinois New Mexico North Dakota Texas Vermont

Kentucky North Carolina Oklahoma Virginia